GATH ON OUR BANKS

Money Is a Better Servant Then

FINANCIAL FOLLIES

Gath Writes of the Money Panic of the Present Century -- A Few Hor on of the Northern Paci



mk. In 1888 I went to Names, in these, where one of those broken rehants of 1857 was our consul. He is been a silk merchant and aftered a silk buyer for Classia and other mos, but he was a southerner by th, from South Caroline, and not apted to surmount panies, so that sold man was consul among a probe did not like, at a salary of only out one thousand dollars a year, tile visiting him one morning. Mrs. uncefots, wife of the British consul Nantes, and sister-in-law of Ambassion Julian Pannoefots, came into the norion consul's. The Briton was thing some nine thousand dollars a ar salary, having been retired from a Indian service, while our poor man it to have his daughters, who were ill reared, market and prepare his od. He showed me in the streets of mess a car which ran by compressed the only one at that time in the risk. I suppose, and he wanted to arket the right for it in America. I d hardly left there before the old an and his wife died, within three ye of each other, and were brought me to the United States in the same in

The panic of 1837 started in the west, ad was a general panic, the result of certrading and extensions. Think of now! At that time Minnesota, Iowa ad Oregon were just coming into the nion. Yet there was enough country stof Chicago to carry on a right good mis. We were assisted out of that mic by the productive gold mines of a Bocky mountains and California. I wender if the government could at put a bounty on the finding of gold the present time. If we were to rice about one hundred million dolrate of gold per amuum, which is hardly ore than that preduced following the mic of 1857, we would be in receipt of me eight millions of new gold every onth.

draulic hoses, and the gravel overran the valleys and produced inundations, so that the farmers began to howl, and they came to congress and stopped by-circulic washing. These big hoses and nozzles were in the light of trusts, and substitutes for many a little dish where gold was washed out by hand. At the same time stamp mills began to be built, which mashed quartz and multi-plied silver and made it cheap. John Sherman said to me near a year ago that he was in favor of stopping the purchase of silver bullion, because the purchase of silver bullion, because the cost of producing it was much less than an equivalent for its inherent value. In many respects the tendency of inhorsaving machinery has been to make production spasmodic, effusive and uncertain, to make the labor unreliable, and to not cost of existence that held and to put out of existence that bold peasantry which, once destroyed, can never be supplied. Universal laborsaving machinery is an extravagance upon the producer, and dispossesses that steady hand labor which finally comes to have principle and an abid-



GRRHAD WOMEN IN THE PIELIPS.

log place. At Potsdam, where the emor of Germany lives, I came upon a and women in the field who had just been gleaning grain, and they were contented like their fathers in the sixteenth century.

America labors under some disast-rantages which make it in hard times

rantages which make it in hard times a very difficult country to recuperate. For instance, the female seg in this country does not divide the labors and burdens of life with the male seg. It is true that in the streets and manufacturing forms we see a good many women going is labor. But the overage plain American family is supported whelly by the man. When his hand is cut off nebedy knows how to turn about. In France the women keep the shops. In Germany the women do the work. These replenishing channels make it possible in America to-day for the comfortable homes to be kept. In moving up the grade of American life the woman has become an ornament and not a support. Hence the equanimity with which divorces are anoght. In other high director are sought. In other nauntries there may be occasive for director, but forget and forgive is a cheaper motto than swelling some law-

Forward president of one of the SelfFork banks, despity sympathiand wis liestry D. Conto. the resident hanks to great was his sympathy that he great item of the failure. I have always a tion of the comptrollers of the curvent become in time obliging adherents the banks. This is natural enough the bank comminger speed much their time in the banks and become asymptoted there, and they must necessarily time in the government corving this and in the government corving this at any time to be turned or when the mob has altered its will with the apparently substantial con-tion of the bank contains, taller or pre-Auka Samey



for cause, and who in old age is very apt to be pensioned by the bank. The most honest man we had in the treasury department was Hamilton, for when he resigned he went to the law and made his living by his mind. Gallatin, who succeeded him under Jefferson, and had a great deal to say about liberty and the fitness of things, nevertheless became the stipendiary banker for old John Jacob Astor, until the panic of 1837 struck him, when he was retired, and he died at Astoria under Astor's nose, The United States bank, after its re

The United States bank, after its recharter, was preyed upon by the politicians, who afterward destroyed it, and the favor to them was made the point of accusation against it by Gen. Jackson, when he could no longer use it to push his favorites into its branch banks. My observation at the close of the civil war was that nearly all the state banks at the south which had failed had likewise been doing favors for politicians, and in many cases their debta were upon the bank books unsettled for years, and finally never settled. We do not know how much secession and disunion have to do with the despair of lankrupt individuals.

The partic of 1867 was a panic of inexperience. Our people had never been called upon to make popular subscriptions to anything but the United States itself. Jay Cooke had taught them to behave like other people and bring their savings to the government and take bonds for the same.

In spite of mean secretaries of the

month.

Machinery, among its other injuries.
has discouraged the production of gold and promoted that of silver. We got to washing down gravel banks in California, which are full of gold, with hywas a well-established banker in several cities. Having large banking facilities, he pined for something to do equal to his resources. The Northern Pacific railroad was brought to him early in the seventies, or perhaps as early as 1869. We had then only the railroad across the plains, the Union & Central Pacific. Mr. Cooke undertook to build that railroad on a popular subscription. The American people had pienty of money to embark in the enterprise, for the war, while giving a public indebtedness, had made private wealth general, through a sound if inflated currency.

Mr. Cooke, however, incurred the animosity of older bankers, who were willing to bring on a general panic rather than see him head the list of financial authorities from that old and somewhat reactionary city of Philadelphia.

The Northern Pacific railway was systematically condemned and attacked. Coincident with it railroad undertake ings and extensions became general in other parts of the country. Finally the New York end of Mr. Cooke's banking house abruptly closed its doors. The cifef banker has always insisted that there was not the slightest occasion for this. A general panic, howfour years in stemming. In the sequel, everybody who had faith in Jay Cooke got his money and interest back in the

Northern Pacific investment. The panic of 1857 operated with great rigor on the public because they had been living extravagantly upon an in-flated currency and the altered habits of the civil war. Perhaps the sudden-ness of that panic was beneficial in correcting a great many wild undertak-ings in the nature of swindles which were being hatched out, such as the sale of Spanish land grants. The Bank of California, which had maintained specie payments against our greenbacks, went up among other things, and turned loose on the country a purely speculative element, led by Flood and O'Brien.

list, if we now compare the heedless panic over the Northern Pacific railroad with such cutthroat operations as we have seen in the Reading railroad, in its frequent booms and bankers reorganizations, we can wonder if the morals of 1995 are as good as they were in 1875. Yet the panic of 1873 had nearly destroyed Commodore Vanderbilt, who, to use the language of one of his family. They down and gave of his family, "lay down and gave everything up for lost." But some of his condjutors, with more pluck, as-sisted to better days.

MONEY PANICS.

What Has Been the Cause of Many of

I was talking to a Chicago profes sional man a few days ago shout the money market, and he asked me:
"Why have we not had a genera

Probably because we came to specie payments soon after the conclusion of that panie, and have ever since had a sound currency, or, until we embarhed upon the silver programme, which came from the California and Colorado

ing.

Come day to Washington, in 1872, I was in the treasury department, when word rame in that the shutters had been made in one of the New York banks, said

How strongs that, with our familes-thorities holding those views, congress should go about and modely the our-

thorities holding those views, congress should go ahead and modely the ourrency as it has done.

This is one of the defects of a congreenical government as opposed to a
parliamentary ministry.

A popular government does not reprenait the interests of the great body
of the people, as congared to the special interest of mose specially active
element with a grievance. The missowners were determined to merical
their allow upon the American government. They were aminted by the
amolters. Especientatives of those
mines and amolting works were in the
United States senate and in congress,
and ambitious lawyers, whose tenetituents were mainly allow miners, joined
in. We began by mining allow, in different forms of dollars, and ended by
buying the builton to about the whole
extent of its production upon a falling
market. Consequently the silver certificates, exchangeable for gold and
its notes, produced an extraordinary
inflation, and as it was as easy to draw
our gold away as it was to sell the diver, the gold began to emigrate, and
what did not emigrate began to run
into stockings and emphoards, and no
we find the government now with
twelve or fifteen millions less of gold
reserve than the law expects or endety
requires.

In 1874-5 we had a mon of moral cour-

requires.

In 1874-8 we had a men of moral courage in the presidency, one who did not know everything, but when he knew anything and believed it, he acted upon his best bias. That was President Grant. He vetoed the infinition bill, and had he not done so we never would have some to specie payment in 1879. Of course, there was a great sacrifice of corner lots in new towns, and much that was considered fine collateral was thrown out by the banks, as they are doing now. Sherman, who took the treasury department in the administration succeeding Grant, was resolved on specie payment, though not many of the bankers agreed with him. The equilibrium coming about, however, between our currency and gold, had already made their quotations nearly the same, and thus the restoration of specie payments was only the legalizing of a natural condition of things. It was the veto of the infinition act, however, by Grant which in four or five years brought us to specie payments.

brought us to specie payments.

The same secretary of the treasury.
Mr. Sherman, passed the act which President Cleveland is trying, with Senator Sherman's help, to repeal. Though called the Sherman act, it was not the intention of Sherman to give silver a permanent status in our cur-



HE VETOED THE INFLATION BILL.

rency. It was, perhaps, a weak thing, however, to tamper with a subject of that kind, under the interested persuasions and demands of the mining element. The agricultural population, which was led into the programme, has been the greatest sufferer from it. and now the mercantile population is auffering. A widespread belief that the currency is unsound with so much silver in its veins has caused the banks to scan every enterprise which expects to borrow money, and the throwing out of speculative collaterals is per-haps another step toward a revision of all our business methods. These methods never would have

been as bad as they are but for foreign example. The whole system of trusts was imported into this country from England. When the panic in 1864 had nearly come about through failure of Grant & Ward, representatives of foreign banking houses hastened to New York, and when the Barings failed, men of the same class appeared, to assure the Americans that they were in a much sounder condition than Europe. In point of fact, we were in a position to lend money to the Old World, to sustain it after its mistakes. World, to sustain it after its mistakes. A plethora of money in Europe had led to disastrous investments in remote colonies and republics, such as South America and Australia. South Africa has not revived from her calamitica, and Australia has had a general overthrow of all her American credits. Seeing the weak spot in our currency, gold has commenced the backward march. Since the commencement of the present year, nearly seventy millions of gold have been shipped to Europe, or nearly three times as much as in the corresponding period of 1822. The banks in the east, and generally throughout the country, having erally throughout the country, having been educated by experience in taking care of themselves, have regarded all American speculative investments with a severe eye, and, therefore, we see towns, trusts, remote banking associations and factories going by the "board" because their banks will no longer carry them. Misbehaving banks have also succumbed in the tightness of the money market. The tightness is the result of the want of confidence, which invariably follows too much faith and credit.

Labor has been a serious plague to investment for a good many years back. The tendency of labor organizations is to be aggressive, as they are political in their nature, their active directors being in effect officeholders who draw their pay from the labor funds, and must therefore discover grievances and exert a pressure, like politicians who want rotes. Ten years ago it was the rule in several of the western cities for builders to bur strikes in making their contracts. They said in effect:
"A new and uncertain element has come up which we cannot bandle, and the strike has got to be considered, for we cannot work against impossibiliesisting labor tyrannies some of the promoters in the mines and railroads began to import foreigners. Politics



work. We are going to wait and see."
Another evil of recent years has been the purpetual reorganization of a fined system of all railroads which had overdone themselves, intermediate bankers drawing great sums of money from these readjustments. The effect, of course, has been to weaken our credit. The Reading railroad, which has several times been put through this course of sweating, presented such a picture of frantic ambition and collapse that when the riot in Wall street was over it appeared that investors would no longer plague themselves with personal property. The wreckage was too great not to leave some lesson. In short, a certain kind of banking in this country has become a suck-hole to engulf corporations and swindle the public.

The freedom with which our different states allow the paralleling of rail-

The freedom with which our differ-ent states allow the paralleling of rall-road enterprises has gone to swell the area of prostration. The Nickel Plate railroad, a thorough-going and suc-cessful scheme to force a new proper-ty upon unwilling capitalists othercessful scheme to force a new property upon unwilling capitalists otherwise menaced with destruction, has
worked out its result in very little additional service to the public and more
railroad stagnations, gluta and failures. Some of the banks reformed
their ways and refused to lend any
more money to the speculative interesta. When the Barings failed the
American national banks presented a
noble phalanx of resistance, and
brought us out of that crisis for the
time triumphantly. But the criticism
of Europe upon our silver-dilution has
also become a donviction, and the
banks have, for the first time in
many years, parted company with
speculation as a science. And that
speculation has been pushed to exspeculation has been pushed to ex-traordinary results. As we had ceased building railroad lines through the agricultural lands and plains, the speculators took hold of minor proper-ties, such as the street railroads, and speculators took hold of minor properties, such as the street railroads, and put them up to high figures, and perhaps manipulated the exchanges to keep the quotations at an artificial point. In short, the passion to make money at the expense of the stockholders in old fixed properties, and to draw the general public more and more into speculative things, had become nearly national. The fiscal agents who loaned money in the new cities of the country, particularly in the west, became indifferent about protecting those from whom they borrowed, and would lend on dubious property double its conservative valuation. Individual cities of the second class aimed to extricate themselves from a community of interest or dependence with other cities. Hence we have seen Duluti building a railroad to the Soo, and St. Paul paralleling that Northern Pacific railroad which only twenty years ago brought on a great panic.

BANKING BUSINESS.

It Has Seen Many Changes in Recent

The business of banking has in re-The business of banking has in re-cent years, changed its form, in that deposits have become the ambition of the banking officers. To procure more deposits than enough, bank presidents and cashiers have been invaling each other's domain and inveigling well-to-do depositors to leave one bank and try another one. Thus, the banks got to be rated, not by their inherent attempth. do depositors to leave one bank and try another one. Thus, the banks got to be rated, not by their inherent strength, but for what their vaults contained belonging to other people. Men who could keep up a good deposit line had all their business transacted free. This insecurity was finally discerned by the depositors, and they have within the past few months reduced their deposit accounts, and the banks feel the diminution and must needs show it in their reports. Cases have been known where banks, formerly of minor standing, and with a very small amount of capital, have carried twenty millions of deposits, and in some cases their capital was not more than one hundred or two hundred thousand dollars. Mr. Hepburn told me hast winter that several of the banks were attempting to reduce their capital, so that they need not pay their earnings to so many stockholders, and mean-time they were thriving upon this inundation of deposits. The effect was to make the small depositor rather a nuisance in a bank. The honest man who did not speculate, and could keep to his credit a few hundred or thousand dollars, was looked at upon the whole as a cumberer of the bank, while the jobber in speculative securities, who appeared with his fifty thousand the jobber in speculative securities, who appeared with his fifty thousand to two hundred thousand dollars, was a man whom a dozen banks were angling for.
Thus the present situation may have

Its benefits. Banks were originally made not by be dupping grounds for deposits but agencies of discount and of loan. As immense amount of money is constantly lent in New York on call, the rate fluctuating abourdly; some-

haunt the state ingislatures and bring out the vets of cities.

Meantime our unitional politics is suffering from the want of any high-spirited, patrictic, general uninvestigating, such as we had in relating unearly in austain the war and in restoring specie payments. In place of sumo general plan or purpose congress divides its aims among a purcel of local improvements, the construction of rivers and harbors, the construction of post offices and, of course, the catering to the constituencies, instead of holding the constituencies, instead of holding the constituencies to the support of the government. The tampering with the soldier vote, which was at one time congress and its antilities, or the members obtained an additional importance by the lungs same of memory they were able to compiles and draw out of the public treasury. Our surplanes began to be deficienties. About that time the tariff was attached as the instrumentality which was doing the havee. Since Mr. Cloveland's restention of his concern from revising the tariff to revising the silver legislation, but the sequel is uncertain. He has merely his patronage to play against the tendency of congress to continue the coinage of allver or some other form of currency inflation. This patronage does not amount to much, compared to the outlay upon the heterodox lines I have named. A much better offset to the cussedness of congress would be to arouse public opinion to the true situation.

It is determined, perhaps, to present to those who will not alter their aliver legislation a scheme of state banking, whereby, according to the laws of the different states, we shall have such banking as illuminated by its incendiary fires the panic of 1857, and again that of 1857. All the state banks went by the board in 1837, with one or two exceptions, and the panic of 1857 was brought on by the failure of the Ohio Life and Trust company,



where we first begin to hear of the ominous word "Trust." Trust com-panies are also a feature of the present

panies are also a feature of the present time. In every city they are to be found, volunteering to take charge of collections and estates. They have erected great vaults, imposing fronts and elaborate office buildings, the entire basis of support for which are the deposits, so to speak, which come in on the lower floor. Stone of these trust companies swell the number of reorganizers and wreckers of railroad corporations and other properties. In ahort, the trust companies have to a certain extent prepared the way for giving up our old conservative system of sational banks, and adopting instead a system of state banks.

of antional banks, and adopting instead a system of state banks.

Underneath everything lies the destructive passion to be worth a million dollars; to make excessive earnings and percentages, to take away from villages and stable towns their local methods of accommodating the public, and to turn everything into a few vast trusts and agencies.

The country still has plenty of money. A large proportion of the banks have guarded themselves like fortresses, and have strengthened their reserves. In spite of a good many failures, and some difficulty in making collections everywhere, the general activity of the land is decided, but it has too much collateral.

has too much collateral. It is not an unmixed evil for an ac-It is not an unmixed evil for an active country like ours to occasionally have a fit of illness. The vicious acids and miasmae in the system yield to a course of purgation and of diet. The patient arises much atronger than he was before he was taken to bed. If we have been doing anything wrong, let us ask if any of our greater neighbors have been more correct.

we have been doing anything wrong, let us ask if any of our greater neighbors have been more correct.

England, with an immense 'rade, and with tighter naturalisation laws than ours, has beheld hundreds of millions of dollars go, enough to have paid the expenses of one of the greatest wars in history, through the sheer gambling propensities of its people, and their singular admixture of avarice and aristocracy. The condition of Canada is a high encomium upon the vigor and property of the United States. Mr. Goldwin Smith told me last winter that in the city of Toronto there were neveral thousand houses idle and to let. "I do not call that prosperity," he said, "which goes on building houses that nobody wants, and manufacturing under a high tariff where there are no adequate markets, while meantime losing our best laboring stock, which goes so the United States, where we have cut off our natural market."

Anstralia, in the light of what has transpired there in settling up, seems to show that every cent put in that country by England has merely been paying back out of the principal for a limited number of years the interest thereupon, and when the so-called property and assets come to be estimated at the countries of the loss.



have undertaken to maintain a great number of cities, and these cities have been connected by an infinite number of surporations. Now and then some town falls out of the race and lets go its hold. Again, some fatality in our interpretation of our momentary needs, to be the true inwof life, brings a penalty. The drawing apart of the forces of labor and employment is a feature of that equal pressure to too rapidly improving conditions on both sides.

Still, here is the great fact, that nearly every nation on the earth has

allpahod, but even that, like any other maddy stream, cannot be no maddy that it will not run itself clear. In hastening to cover every portion of the land with cities and improve ments, there must necessarily be in squalities and here and there calami-ties.

ties.

After all, perhaps our greatest crime is to mix banking up with speculation; to depart from the plain laws of handling the money of other people, in the hope that we may verify some dream, and rid ourselves of application and

The currency must be made sound, for it is the circulating blood of the race. GRORGE ALPRED TOWNSEPD.



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